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United Nations

Fund of the United Nations International Drug Control Programme

Financial report and audited financial statements

for the biennium ended 31 December 1993 and Report of the Board of Auditors

General Assembly
Official Records • Forty-ninth Session
Supplement No. 5I (A/49/5/Add.9)

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[28 July 1994]

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30 June 1994

Sir,

I have the honour to transmit to you the financial statements of the Fund of the United Nations International Drug Control Programme for the biennium 1992-1993 ended 31 December 1993, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) John BOURN
Comptroller and Auditor General of the
United Kingdom of Great Britain and
Northern Ireland and Chairman, United
Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York, N.Y.

31 March 1994

Dear Sir John,

In accordance with financial regulation 11.4, I have the honour to submit the financial statements of the Fund of the United Nations International Drug Control Programme for the biennium 1992-1993 ended 31 December 1993.

Copies of these financial statements are made available to the Commission on Narcotic Drugs and the Advisory Committee on Administrative and Budgetary Questions.

(Signed) Giorgio GIACOMELLI

Sir John Bourn
Chairman
United Nations Board of Auditors
DCI-2680
New York, N.Y. 10017
USA

I. REPORT OF THE EXECUTIVE DIRECTOR

Introduction

1. The Executive Director has the honour to submit the financial statements of the Fund of the United Nations International Drug Control Programme (UNDCP) for the biennium 1992-1993 ended 31 December 1993, in accordance with rule 111.4 of the Financial Rules of the United Nations and General Assembly resolution 46/185 C of 20 December 1991, section XVI, in which the Assembly decided that notwithstanding regulations 11.1 and 11.4 of the Financial Regulations of the United Nations, the Executive Director of the Programme shall be responsible for submitting the accounts of the Fund of the Programme and related financial statements, no later than 31 March following the end of the financial period, to the United Nations Board of Auditors. In accordance with General Assembly resolution 48/216 C, the United Nations common accounting standards as contained in the annex to document A/48/530 were taken into account in the preparation of the financial statements.

2. In accordance with financial regulation 11.4, the Executive Director's report, the certification of financial statements and the financial statements numbered I to III, supported by notes and schedules, were submitted to the Board of Auditors on 31 March 1994. Copies of those statements were also made available to the Commission on Narcotic Drugs and the Advisory Committee on Administrative and Budgetary Questions.

Overview of the financial situation

3. The biennium 1992-1993 was a period of transition for the Fund of UNDCP. International drug control activities experienced considerable growth during the last decade. Despite the increases in expenditures, UNDCP was able to build up a fund balance based on a number of exceptional contributions. This has changed and the turning-point was reached during 1992-1993. For the first time, expenditures have exceeded income and the fund balance has declined. The deficit amounted to $2,859,939, based on a total expenditure of $140,417,372 and a total income of $137,557,433. The fund balance decreased by $13,399,100 from $100,310,343 at 31 December 1991 to $86,911,243 at 31 December 1993, essentially as a result of the deficit on the income and expenditure account and the establishment of an operating reserve as described in note 13. In accordance with the approved programme budget, it is expected that the deficit will increase significantly during the biennium 1994-1995, leading to a rapid depletion of the fund balance in the coming years.

4. In addition to the Fund of UNDCP, the Programme is financed under the regular programme budget of the United Nations with a total expenditure of $13,034,295 during the biennium 1992-1993 as shown in note 2. Whereas the Fund supports activities geared towards assisting developing countries in international drug control, the regular budget share of UNDCP is mostly concerned with treaty implementation and legal affairs. The Fund accounted for approximately 91.5 per cent of resources available to UNDCP in 1992-1993, compared to approximately 8.5 per cent covered under the regular budget of the United Nations. Finally, expenditures of $199,505 were incurred in 1992 under the United Nations Special Account for Programme Support Costs.

Statement I. Status of approved budget

5. Statement I gives the status of expenditure against approved budget for the biennium ended 31 December 1993. The total budget approved by the Commission on Narcotic Drugs in its resolution 14 (XXXVI) adopted at its reconvened thirty-sixth session, on 17 December 1993, was $149,012,500. Total expenditures amounted to $140,417,372 and reflect an implementation rate of 94.2 per cent against the approved budget.

6. The approved budget of $149,012,500 is equivalent to the 1992-1993 performance report and represents the concluding stage of the programme budget process for the biennium 1992-1993. The process started with the approval of the initial budget of $180,346,500, followed by the revised budget of $186,662,000, the final budget of $158,876,900 and ending with the performance report of $149,012,500.

7. UNDCP programme support income has been utilized to cover expenditure for staff and other personnel costs at Headquarters as indicated to the Commission on Narcotic Drugs in the context of the proposed final programme budget and performance report for the biennium 1992-1993 and proposed initial programme budget for the biennium 1994-1995 (E/CN.7/1993/14). To provide for the establishment of a programme support cost budget, the Executive Director has proposed that a cost study on programme support requirements for the general-purpose and special-purpose funds be presented. Once the Commission has considered the cost study, a detailed programme support cost budget will be submitted to the Commission for the biennium 1996-1997. Details on the programme support cost arrangement for 1992-1993 are outlined in note 1 (h) and in note 3.

Statement II. Income and expenditure

8. Statement II shows a total income of $137,557,433 and a total expenditure of $140,417,372 for the biennium 1992-1993, resulting in a deficit of $2,859,939. Compared to the biennium 1990-1991, income declined by $3,199,331 or 2.3 per cent and expenditure increased by $42,364,403 or 43.2 per cent.

9. The statement also provides a breakdown between general-purpose and special-purpose funds for the biennium 1992-1993. General-purpose income amounted to $55,525,526 or 40.4 per cent of total income, and special-purpose income to $82,031,907 or 59.6 per cent. Expenditure for general-purpose amounted to $39,916,097 or 28.4 per cent of total expenditure, and special-purpose expenditure to $100,501,275 or 71.6 per cent. As a result, income exceeded expenditure for the general-purpose fund to the amount of $15,609,429, whereas for special-purpose funds a deficit of $18,469,368 was recorded.

10. Total UNDCP programme support costs for 1992-1993 amounted to $2,458,489, compared to $627,965 for 1990-1991. The increase of $1,830,524 or 291.5 per cent can be attributed partly to the modified UNDCP programme support cost arrangement introduced in 1993 and outlined in the Executive Director's note on programme support cost arrangements (E/CN.7/1993/15).

Statement III. Assets and liabilities

11. Statement III reflects the assets, liabilities and fund balance as at 31 December 1993. Total assets amounted to $142,822,584 and equal total liabilities of $55,911,341 and a fund balance of $86,911,243. Compared to 1990-1991, the fund balance has declined by $13,399,100 or 13.4 per cent and cash has declined from $110,740,651 by $7,050,210 or 6.4 per cent to $103,690,441. Unpaid pledged contributions have declined from $72,053,636 to $19,034,169. This reflects a higher rate of collection and a change in the accounting policy according to which unpaid pledges for future years are not included in statement III, as described in note 1 (e) and note 15.

12. The development of the fund balance reflects a shift from special-purpose to general-purpose resources in accordance with the income/expenditure patterns during 1992-1993. Between 1 January 1992 and 31 December 1993, the general-purpose share of the fund balance increased from 34.9 per cent to 54.4 per cent, and the special-purpose share declined from 65.1 per cent to 45.6 per cent.

Notes to the financial statements

13. The financial statements include 16 notes. Note 1 describes the significant accounting policies applied in the preparation of the statements. The remaining 15 notes provide additional information and clarification for the financial activities for which the Executive Director of the United Nations International Drug Control Programme has administrative responsibility.

Schedules

14. The financial statements are supported by three schedules. Schedule 1 shows the status of general-purpose pledges and schedule 2 the status of special-purpose pledges. Total unpaid pledges as at 31 December 1993 amounted to $19,034,169, including $5,407,088 under the general-purpose and $13,627,081 under the special-purpose fund. As at 31 December 1993, a total of 23 countries had unpaid pledges under the general-purpose and a total of 10 countries under the special-purpose fund. Schedule 3 presents the status of operating funds advanced to agencies as at 31 December 1993, amounting to $19,438,348.

II. REPORT OF THE BOARD OF AUDITORS

Introduction

1. The Board of Auditors examined the financial statements of the Fund of the United Nations International Drug Control Programme (UNDCP) for the period from 1 January 1992 to 31 December 1993. The audit was conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

Audit objectives and approach

2. The Board's audit included the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. The examination was based on an assessment of UNDCP's accounting systems and controls and on a test audit, in which all areas of the financial statements were subject to direct substantive testing of transactions. The audit also included an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall presentation of the financial statements. While the financial statements are the responsibility of UNDCP's management, the responsibility of the Board is to express an opinion on whether, based on its audit, the financial statements present fairly the financial position of UNDCP as at 31 December 1993.

3. The Board's examination included a general review and such tests of the accounting records and other supporting evidence as it considered necessary in the circumstances. These audit procedures were designed primarily for the purpose of forming an opinion on UNDCP's financial statements. Consequently, the work carried out by the Board did not involve a detailed review of all aspects of budgetary and financial information systems and the results cannot be regarded as a comprehensive statement on them.

Overall results

4. Subject to the restriction on the scope of the audit described in paragraphs 15 to 18 below, the Board's examination revealed no weaknesses or errors considered material to the accuracy or completeness of the financial statements as a whole. In accordance with normal procedures, the Board recorded significant findings in management letters to UNDCP. None of these matters affected the Board's audit opinion on UNDCP's financial statements and schedules for the period.

5. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concerned the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNDCP.

6. In 1992-1993, the Board examined aspects of UNDCP's management of technical cooperation projects.

7. A summary of the Board's recommendations is contained in paragraph 9 below. Its main findings are summarized in paragraphs 10 to 15. The detailed findings of the review are reported in paragraphs 16 to 42.

8. The Board's observations on all matters contained in the present report were communicated to UNDCP. UNDCP has confirmed the facts on which the Board's observations and conclusions are based and provided explanations and answers to the Board's queries.

Summary of recommendations

9. The main recommendations of the Board are as follows:

(a) UNDCP should formalize and clarify its arrangements for receiving audited expenditure statements from its executing agencies (para. 18);

(b) UNDCP should review and simplify its financial accounting arrangements (para. 25);

(c) UNDCP should consult the United Nations Treasury on a regular basis to ensure that the investment policies meet the specific needs and requirements of UNDCP (para. 31).

Summary of main findings

Financial matters

Financial reporting

10. Although UNDCP is responsible for the maintenance of its own accounts and for presenting its financial statements, in practice the split of functions between three administrative units is cumbersome and leads to inefficiency as a result of poor communication between the parties (paras. 22-26).

Budgetary control

11. UNDCP underspent its approved budget for 1992-1993 by 6 per cent. However, on individual budget lines there were significant variances, particularly relating to project activities. The Board welcomes the measures taken by UNDCP to improve its budget estimates (para. 27).

Income

12. In 1992-1993, UNDCP was able to collect 85 per cent of the contributions pledged to it. With the Board's encouragement, UNDCP has adopted a cancellation policy for unpaid pledges outstanding for five years or more (paras. 28 to 29).

Cash management

13. At 31 December 1993, UNDCP held approximately $100 million in interest-bearing deposits. These yielded an average return of 3.4 per cent per annum over the biennium. UNDCP was not fully aware, until recently, of the investment policies applied by the United Nations Treasury on its behalf. The Board recommends that UNDCP should consult the United Nations Treasury on a regular

basis to ensure that the investment policies adopted meet the specific needs and requirements of UNDCP (paras. 30-31).

Control of non-expendable property

14. The Board was unable to confirm the completeness or accuracy of the amounts recorded for non-expendable property as a result of significant deficiencies in the common system of controls operated at the Vienna International Centre (para. 32).

Management issues

15. The Board found that UNDCP has a generally sound system for project formulation and approval, although some commitments had been entered into before formal approval of the project proposal. On implementation, the pattern of expenditure showed some marked differences from the approved budget (paras. 33-40).

Detailed findings

Programme expenditure incurred by executing agencies

16. UNDCP includes in its financial statements details of expenditure incurred on its behalf by executing agencies. This information is based on expenditure statements prepared by the executing agencies. These statements should be supported by audit certificates provided by the external auditors of the agencies concerned. In the biennium ended 31 December 1993, $110.4 million of programme expenditure was incurred by executing agencies under these arrangements.

17. The Board does not have access to the expenditure records of executing agencies. Consequently, the Board relies on the work of other external auditors, as evidenced by the audit certificates, to gain adequate assurance that those funds that have been advanced to executing agencies and reported in UNDCP's financial statements have been properly expended on UNDCP projects.

18. At the date of finalization of the financial statements of UNDCP, audit certificates had not been received from executing agencies, primarily non-governmental organizations, in respect of programme expenditure totalling $7.8 million. This expenditure has been included in the financial statements of UNDCP on a basis consistent with the unaudited reports from the executing agencies concerned. However, owing to the absence of audit certificates, there is insufficient evidence to allow the Board to form an audit opinion in respect of this expenditure.

19. The Board recommends that UNDCP formalize and clarify its arrangements for receiving audited expenditure statements from its executing agencies.

United Nations system common accounting standards

20. In 1993, following the final report of the United Nations Working Party on Accounting Standards, the Administrative Committee on Coordination approved formal accounting standards for the United Nations system. The General Assembly subsequently took note of these statements in its resolution 48/216 C of 23 December 1993.

21. The Board found that UNDCP applied the standards in 1992-1993 in full except in respect of the disclosure of prior period figures. As indicated in the footnotes to statements II and III, the Fund of UNDCP, which began operation on 1 January 1992, was established by General Assembly resolution 46/185 C, section XVI, to replace the United Nations Fund for Drug Abuse Control (UNFDAC). Figures for 1990-1991 are therefore not available on a basis which is consistent with the 1992-1993 figures presented in those financial statements. The figures for 1990-1991 are drawn from the final audited statements of UNFDAC and are shown in UNDCP's statements for information purposes only.

Financial reporting

22. Under the terms of General Assembly resolution 46/185 C, section XVI, paragraph 8, the Executive Director of UNDCP was given the responsibility for the maintenance and presentation of UNDCP's accounts and related financial statements. The Board is concerned that the current accounting and reporting arrangements for UNDCP do not facilitate this process.

23. Although UNDCP has the responsibility for maintaining the accounts, it does not have the capacity to carry out this function in-house and must rely on support from the United Nations Office at Vienna and from United Nations Headquarters.

24. Currently the United Nations Office at Vienna performs the finance and accounting functions on UNDCP's behalf on a cost-reimbursable basis. It reports on a monthly basis directly to United Nations Headquarters, which in turn maintains UNDCP's general ledger and is responsible for the treasury function and for recording all cash received. UNDCP is responsible for the consolidation of the information provided monthly from Headquarters with its own locally held records.

25. During the biennium, poor communication links and an apparent lack of understanding as to the lines of responsibility resulted in the provision of inappropriate and inadequate information, which often does not accurately reflect the underlying records. The Board found this system cumbersome and recommends that the organization and structure of the financial accounting arrangements be reviewed and simplified.

26. Throughout the biennium UNDCP was further hindered in carrying out its responsibilities owing to a lack of adequately trained staff in the accounting function. The Board welcomes the recent initiatives UNDCP has taken to rectify this situation.

Budgetary control

27. Statement I shows total expenditure for 1992-1993 of $140,417,372 against an approved budget of $149,012,500, a net underspend of $8,595,128. However, the Board was concerned at the significant variances on individual budget lines for project activities, in particular for contractual services and operating expenses. The Board welcomes the improvements introduced by UNDCP to enhance the accuracy of estimates by object of expenditure for project activities.

Income

28. UNDCP records income on the basis of firm pledges received. Pledged contributions for 1992-1993, for both special and general purposes, amounted to $127,705,705, of which $19,034,169 remained outstanding as at 31 December 1993. The current status of unpaid pledges is shown below.

Status of unpaid pledges as at 31 December 1993

Year pledged	Amount unpaid ($)	Percentage of total
1993	12 445 733	65
1992	1 995 206	11
1991	1 547 583	8
1990	2 584 747	14
1989	258 967	1
1988	6 188	-
1986	195 745	1
Total	19 034 169	100

Source: UNDCP pledge schedules.

29. UNDCP has adopted a policy for cancelling unpaid pledges which have been outstanding for more than five years. The Board supports the adoption of this policy. In 1992-1993, a total of $121,971 in unpaid pledges was cancelled as a result of this policy. In respect of the amounts still showing from 1986 and 1988, the Board has reviewed the reasons for their continued inclusion and has confirmed that these sums remain collectible.

Cash management

30. As at 31 December 1993, UNDCP held cash of $103,690,441, of which $103,053,034 was held in interest-bearing deposits with a variety of institutions. The total interest earned during the biennium on such deposits amounted to $7,002,374, an average return of 3.4 per cent per annum.

31. The Board was concerned that, while the treasury function is performed by United Nations Headquarters on UNDCP's behalf, there was a lack of awareness within UNDCP of the policies and procedures employed in the investment of its funds. In early 1994, UNDCP initiated discussions with the United Nations Treasury on investment policies. The Board recommends that these discussions continue on a regular basis to identify the specific needs and requirements of UNDCP.

Control of non-expendable property

32. UNDCP reports that the value of its non-expendable inventory was $2,431,094 as at 31 December 1993. Under the joint administrative arrangements operated at the Vienna International Centre, the inventory control function is carried out for UNDCP by the United Nations Industrial Development Organization (UNIDO). In the course of the audit, the Board noted weaknesses in internal control procedures for the receiving and recording of supplies and equipment. Further, the Board noted that a complete independent inventory check had not been carried out in Vienna since 1989. Consequently, the Board is unable to confirm the completeness and accuracy of the amounts recorded.

Project management

33. The Board conducted a review of UNDCP's management of technical cooperation projects, focusing on the arrangements for project formulation and implementation. The review also included a visit by the Board's staff to UNDCP's field office in Bolivia.

Project formulation

34. The Board found that UNDCP's approach to project formulation was strong in its emphasis on adherence to the international drug control conventions and its close consultation with donors. Further, the Board considers that the standard format and guidelines issued by UNDCP for the drawing up of project documents provide a good means of communicating the project's purpose and design to all parties concerned.

35. However, the Board considers that there is further scope to tailor project design more closely to the political and management environment in which the project will actually operate and recommends that a more formal evaluation of the capabilities of local management and institutions be carried out during project formulation.

36. The Board was also impressed by the activities of the Project Review Committee (PRC) and its vigorous approach to ensuring adherence to UNDCP guidelines in project formulation. However, the Board was concerned that an increasing amount of the Committee's time was being spent on considering the technical and financial soundness of projects. The Board considered that the evaluation of the technical aspects of a project should properly be carried out by the substantive units and not PRC.

37. The Board also noted several cases where project commitments had been entered into with Governments and other outside parties before the proposal was submitted to PRC for review and subsequent approval by the Executive Director. The Board recommends that no commitments be made on the basis of project proposals which have not been approved formally.

Project implementation

38. During 1992-1993, UNDCP managed 264 projects with a total budget of $126.8 million spread across four main sectors. Actual expenditures as at 31 December 1993 amounted to $118.7 million, excluding programme support costs. By sector, this can be broken down as follows:

Project expenditure by sector against approved budget for the biennium 1992-1993

(United States dollars)

Sector	Approved budget 1992-1993	Expenditure 1992-1993	Difference
Control measures	29 287 400	24 651 800	4 635 600
Demand reduction	30 454 600	26 863 400	3 591 200
Supply reduction	55 698 300	51 744 700	3 953 600
Multi-sector	11 336 300	15 474 200	(4 137 900)
Total	126 776 600	118 734 100	8 042 500

Source: UNDCP project expenditure records.

39. The table above shows that disparities exist between the planned and actual distribution of resources between the sectors. The Board acknowledges the limits imposed on operations to execute projects, in particular through the earmarking of funds by donors and the capacity of recipient countries. The Board recommends that such disparities be kept to a minimum to facilitate the implementation of strategic objectives as represented by the approved distribution of resources at the project level.

40. The Board found most projects to be completed on time, but 39 out of the 264 projects which were operational in 1992-1993 had delayed starting dates. The reasons for the delays varied and were often outside the direct control of UNDCP. While the Board considers the overall implementation rate to be high, it nevertheless recommends that UNDCP maintain an effective and continuing dialogue with executing agencies as to the cause of delays in implementation.

Cases of fraud and presumptive fraud

41. UNDCP reported no cases of fraud or presumptive fraud to the Board relating to the financial period 1992-1993.

Write-off of losses of cash, receivables and property; ex gratia payments

42. In 1992-1993 UNDCP wrote off unpaid pledges of $121,971, as explained in paragraphs 28 and 29 above. UNDCP reported that there were no other write-offs of losses of cash or other assets or ex gratia payments during the period.

Acknowledgement

43. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its auditors by the staff of UNDCP.

(Signed) John BOURN
Comptroller and Auditor General of
the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to III, properly identified, schedules 1 to 3 and the supporting explanatory notes of the Fund of the United Nations International Drug Control Programme for the period ended 31 December 1993 in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the Specialized Agencies and the International Atomic Energy Agency, except that the scope of our work was limited by the matters referred to below and as explained in paragraphs 16 to 19 of our report. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to any adjustments that may be found to be necessary upon receipt of outstanding audited expenditure statements from executing agencies, in our opinion, the financial statements present fairly the financial position of the Fund of the United Nations International Drug Control Programme as at 31 December 1993 and the results of its operations for the financial period then ended; that they were prepared in accordance with the stated accounting policies; and that the transactions were in accordance with the Financial Regulations and the relevant legislative authority.

As described in paragraph 20 of our report, the stated accounting policies are not disclosed on a basis consistent with that of the preceding financial period.

In accordance with our usual practice, we have issued a long-form report on our audit of the Fund of the United Nations International Drug Control Programme's financial statements, as provided for in the Financial Regulations.

(Signed) John BOURN
Comptroller and Auditor General of
the United Kingdom of Great Britain
and Northern Ireland

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Codanda Ganapathy SOMIAH
Comptroller and Auditor General
of India

30 June 1994

IV. *CERTIFICATION OF FINANCIAL STATEMENTS*

31 March 1994

I certify that the appended financial statements of the Fund of the United Nations International Drug Control Programme, numbered I to III, notes and supporting schedules are correct.

(Signed) Giorgio GIACOMELLI
Executive Director

V. FINANCIAL STATEMENTS FOR THE BIENNIUM 1992-1993 ENDED 31 DECEMBER 1993

STATEMENT I

Status of approved budget for the biennium 1992-1993
ended 31 December 1993

(United States dollars)

Object of expenditure	Note	Approved Budget	Expenditure	Unencumbered balance
a) Headquarters				
Staff and other personnel costs	3	7,010,400	6,421,658	588,742
Travel		935,300	1,008,968	(73,668)
Contractual services		83,900	95,795	(11,895)
Operating expenses		537,000	485,914	51,086
Acquisitions		208,200	171,865	36,335
Fellowships, grants, other		1,083,800	1,042,400	41,400
Programme support costs (UNDCP)	3	2,875,000	2,458,489	416,511
		12,733,600	11,685,089	1,048,511
b) Field operations				
Staff and other personnel costs		6,803,300	7,066,527	(263,227)
Travel		510,300	637,173	(126,873)
Operating expenses		1,221,800	1,103,509	118,291
Acquisitions		966,900	1,190,929	(224,029)
		9,502,300	9,998,138	(495,838)
c) Project activities				
Staff and other personnel costs		31,557,900	29,196,827	2,361,073
Travel		3,339,300	2,751,771	587,529
Contractual services		24,039,500	26,242,995	(2,203,495)
Operating expenses		5,555,300	8,887,931	(3,332,631)
Acquisitions		41,174,200	37,011,317	4,162,883
Fellowships, grants, other		15,871,900	9,516,713	6,355,187
Programme support costs (agencies)		5,238,500	5,126,591	111,909
		126,776,600	118,734,145	8,042,455
Total		149,012,500	140,417,372	8,595,128

STATEMENT II

Income and expenditure for the biennium 1992-1993
ended 31 December 1993

(United States dollars)

a/ 1990-1991		Note	General-purpose	Special-purpose	Total 1992-1993
	INCOME				
124,960,595	Pledged contributions (Schedules 1&2)		51,497,020	76,208,685	127,705,705
33,532	Public donations	4	11,172	301,982	313,154
1,160,636	Subventions	5	-	48,636	48,636
12,666,066	Interest income	6	3,027,141	3,975,233	7,002,374
1,935,935	Miscellaneous income	7	990,193	1,497,371	2,487,564
140,756,764	Total income		55,525,526	82,031,907	137,557,433
	EXPENDITURE				
25,711,586	Staff and other personnel costs	3	20,437,216	22,247,796	42,685,012
2,819,421	Travel		2,007,379	2,390,533	4,397,912
17,197,619	Contractual services		3,448,325	22,890,465	26,338,790
9,122,147	Operating expenses		2,030,007	8,447,347	10,477,354
31,271,224	Acquisitions		5,552,191	32,821,920	38,374,111
7,012,097	Fellowships, grants, other		3,544,438	7,014,675	10,559,113
4,290,910	Programme support costs (agencies)		438,052	4,688,539	5,126,591
627,965	Programme support costs (UNDCP)	3	2,458,489	-	2,458,489
98,052,969	Total expenditure		39,916,097	100,501,275	140,417,372
42,703,795	Excess of income over expenditure		15,609,429	(18,469,368)	(2,859,939)

a/ UNDCP was established pursuant to General Assembly resolution 45/179 of 21 December 1990 and the Fund of UNDCP was established by General Assembly resolution 46/185 C of 20 December 1991, section XVI, to replace the United Nations Fund for Drug Abuse Control. The 1990-1991 figures are not disclosed on a basis fully consistent with 1992-1993.

STATEMENT III

Assets and liabilities as at 31 December 1993

(United States dollars)

1990-1991 a/		Note	General-purpose	Special-purpose	Total 1992-1993
	ASSETS				
110,740,651	Cash	8	47,665,035	56,025,406	103,690,441
72,053,636	Pledged contributions unpaid (Schedules 1&2)		5,407,088	13,627,081	19,034,169
421,100	Accounts receivable	9	658,413	-	658,413
4,671,864	Net operating funds advanced to agencies (Schedule 3)		5,717,065	13,721,283	19,438,348
5,856,709	Due from United Nations General Fund		-	-	-
3,598	Deferred charges and other assets		1,213	-	1,213
193,747,558	Total assets		59,448,814	83,373,770	142,822,584
	LIABILITIES				
63,493	Accounts Payable	10	135,389	-	135,389
7,598,177	Unliquidated obligations	11	6,164,433	8,655,730	14,820,163
-	Due to United Nations General Fund		1,539,859	-	1,539,859
-	Reserve for programme support costs	12	362,200	-	362,200
471,864	Reserve for allocations		-	-	-
-	Operating reserve	13	3,428,400	7,160,800	10,589,200
85,303,681	Deferred income	14	578,834	27,885,696	28,464,530
93,437,215	Total liabilities		12,209,115	43,702,226	55,911,341
	FUND BALANCE				
58,078,412	Balance available 1 January 1992		35,008,631	65,301,712	100,310,343
42,703,795	Add: Excess of income over expenditure (Statement II)		15,609,429	(18,469,368)	(2,859,939)
-	Transfer from reserve for allocations		471,864	-	471,864
100,782,207			51,089,924	46,832,344	97,922,268
471,864	Less: Transfer to reserve for allocations		-	-	-
-	Transfer to reserve for programme support costs		362,200	-	362,200
-	Transfer to operating reserve		3,428,400	7,160,800	10,589,200
-	Refund to donors		59,625	-	59,625
100,310,343	Balance available at 31 December 1993		47,239,699	39,671,544	86,911,243
193,747,558	Total liabilities and fund balance		59,448,814	83,373,770	142,822,584

a/ UNDCP was established pursuant to General Assembly resolution 45/179 of 21 December 1990 and the Fund of UNDCP was established by General Assembly resolution 46/185 C of 20 December 1991, section XVI, to replace the United Nations Fund for Drug Abuse Control. The 1990-1991 figures are not disclosed on a basis fully consistent with 1992-1993.

SCHEDULE 1

Status of general-purpose pledges unpaid as at 31 December 1993

(United States dollars)

Donor	Unpaid pledges as at 1 January 1992	Pledges made for 1992-1993 and adjustments of prior pledges	Contributions collected for future years during 1992-1993	Total contributions collected during 1992-1993	Prior period collections for 1992-1993	Loss/(gain) on exchange	Unpaid pledges as at 31 December 1993
Argentina	-	15,474	-	15,474	-	-	-
Australia	-	1,039,591	-	508,793	541,660	(10,862)	-
Austria	-	308,170	-	299,816	-	8,354	-
Bahamas	-	8,000	-	5,050	-	-	2,950
Bangladesh	-	2,000	-	1,000	-	-	1,000
Barbados	1,000	3,000	-	3,000	-	-	1,000
Belgium	30,303	258,669	-	284,278	-	4,694	-
Bolivia	24,000	(4,000)	-	-	-	-	20,000
Brazil	-	1,332	-	1,332	-	-	-
Bulgaria	6,000	6,000	-	-	-	-	12,000
Cameroon	14,652	(14,652)	-	-	-	-	-
Canada	-	927,842	-	927,842	-	-	-
China	-	60,000	-	30,000	-	-	30,000
Colombia	7,937	100,082	-	100,082	-	1,749	6,188
Côte d'Ivoire	-	5,495	-	-	2,292	249	2,954
Cyprus	-	1,000	-	1,000	-	-	-
Czech Republic	-	13,300	-	13,300	-	-	-
Czechoslovakia	-	20,000	-	20,000	-	-	-
Denmark	-	1,771,259	-	1,376,144	395,115	-	-
Dominica	-	1,500	1,000	2,000	500	-	-
Ecuador	-	2,323	-	-	-	-	2,323
Egypt	2,000	2,000	-	3,000	-	-	1,000
Finland	-	50,000	-	50,000	-	-	-
France	27,523	1,560,606	-	1,464,472	-	98,276	25,381
Germany	-	4,617,463	-	4,707,353	-	(89,890)	-
Greece	-	9,968	-	9,968	-	-	-
Grenada	500	-	-	500	-	-	-
Guyana	-	2,004	-	2,004	-	-	-
Hong Kong, Territory of	-	34,410	-	34,410	-	-	-

SCHEDULE 1 (continued)

Donor	Unpaid pledges as at 1 January 1992	Pledges made for 1992-1993 and adjustments of prior pledges	Contributions collected for future years during 1992-1993	Total contributions collected during 1992-1993	Prior period collections for 1992-1993	Loss/(gain) on exchange	Unpaid pledges as at 31 December 1993
Hungary	-	35,459	-	33,867	-	1,592	-
Iceland	-	4,510	-	4,510	-	-	-
India	20,000	40,000	-	20,000	-	-	40,000
Indonesia	-	4,000	-	4,000	-	-	-
Iran (Islamic Republic of)	2,000	2,000	-	1,965	-	-	2,035
Italy	-	15,280,635	-	15,280,635	-	-	-
Jamaica	-	2,000	-	2,000	-	-	-
Japan	-	8,067,316	-	8,067,316	-	-	-
Kenya	10,379	(5,979)	-	-	-	2,589	1,811
Kuwait	5,000	5,000	-	10,000	-	-	-
Libyan Arab Jamahiriya	-	3,000	-	3,000	-	-	-
Liechtenstein	2,098	4,181	-	3,962	-	304	2,013
Luxembourg	-	116,042	-	113,073	-	2,969	-
Madagascar	2,600	-	-	-	-	-	2,600
Malawi	679	-	-	679	-	-	-
Malaysia	-	40,000	-	40,000	-	-	-
Malta	-	2,580	-	580	2,000	-	-
Mexico	-	57,500	-	50,000	-	-	7,500
Morocco	3,000	5,965	-	5,965	-	-	3,000
Netherlands	-	611,111	-	601,541	-	9,570	-
New Zealand	-	53,773	-	53,773	-	-	-
Norway	79,365	(79,365)	-	-	-	-	-
Pakistan	-	802	-	365	402	35	-
Panama	-	6,228	-	5,250	-	-	978
Philippines	-	2,500	-	2,500	-	-	-
Portugal	-	11,000	-	11,000	-	-	-
Republic of Korea	2,000	24,000	-	26,000	-	-	-
Romania	-	3,152	-	2,775	-	377	-
Saudi Arabia	50,000	100,000	-	150,000	-	-	-
Senegal	10,000	(10,000)	-	-	-	-	-
Singapore	-	4,000	2,000	4,000	2,000	-	-
Slovakia	-	6,700	-	-	-	-	6,700

SCHEDULE 1 (concluded)

Donor	Unpaid pledges as at 1 January 1992	Pledges made for 1992-1993 and adjustments of prior pledges	Contributions collected for future years during 1992-1993	Total contributions collected during 1992-1993	Prior period collections for 1992-1993	Loss/(gain) on exchange	Unpaid pledges as at 31 December 1993
South Africa	-	3,748	-	3,748	-	-	-
Spain	-	510,052	-	497,351	-	12,701	-
Suriname	2,825	(1,825)	-	1,000	-	-	-
Swaziland	712	(712)	-	-	-	-	-
Sweden	-	13,305,956	-	8,572,228	-	-	4,733,728
Switzerland	-	904,720	-	864,024	-	40,696	-
Thailand	-	20,000	-	20,000	-	-	-
Tunisia	-	2,222	-	2,597	-	(375)	-
Turkey	35,299	70,000	-	105,299	-	-	-
United Kingdom of Great Britain and Northern Ireland	-	610,413	575,834	1,186,247	-	-	-
Unites States of America	500,000	855,000	-	855,000	-	-	500,000
Venezuela	-	20,000	-	18,073	-	-	1,927
Yugoslavia	2,000	(2,000)	-	-	-	-	-
Zaire	1,500	(1,500)	-	-	-	-	-
Total	843,372	51,497,020	578,834	46,485,141	943,969	83,028	5,407,088

SCHEDULE 2

Status of special-purpose pledges unpaid as at 31 December 1993

(United States dollars)

Donor	Unpaid pledges as at 1 January 1992	Pledges made for 1992-1993 and adjustments of prior pledges	Contributions collected for future years during 1992-1993	Total contributions collected during 1992-1993	Prior period collections for 1992-1993	Loss/(gain) on exchange	Unpaid pledges as at 31 December 1993
Belgium	146,829	695,625	-	663,569	-	32,056	146,829
Bolivia	-	420,000	-	420,000	-	-	-
Canada	43,860	1,316,909	-	1,336,016	-	5,814	18,939
Denmark	255,806	-	-	79,000	-	-	176,806
European Union	-	5,430,602	-	4,162,510	-	130,617	1,137,475
Finland	-	2,263,732	-	42,828	2,220,904	-	-
France	-	2,846,801	-	2,662,157	-	164,339	20,305
Germany	1,995,899	11,004,162	-	10,105,208	1,927,586	249,763	717,504
Italy	1,752,000	30,093,763	26,415,827	28,620,492	29,641,098	-	-
Japan	-	139,700	-	139,700	-	-	-
Luxembourg	303,267	-	-	-	-	34,462	268,805
Netherlands	928,533	2,049,591	-	972,037	-	61,049	1,945,038
Norway	5,569,880	(3,408,480)	-	2,075,857	-	85,543	-
Spain	-	852,382	-	793,406	-	58,976	-
Sweden	2,542,373	43,746	-	2,713,626	-	(127,507)	-
Switzerland	-	426,188	-	406,089	-	20,099	-
United Arab Emirates	-	100,000	-	100,000	-	-	-
United Kingdom of Great Britain and Northern Ireland	1,281,416	9,366,928	1,469,869	10,828,755	611,642	(61,184)	739,000
United States of America	6,431,919	12,567,036	-	10,542,575	-	-	8,456,380
Total	21,251,782	76,208,685	27,885,696	76,663,825	34,401,230	654,027	13,627,081

SCHEDULE 3

Status of operating funds advanced to agencies as at 31 December 1993

(United States dollars)

		Advances				Expenditure reported by agencies 1992-1993	Unliquidated obligations with agencies	Net operating funds with agencies
	Agencies	Prior period	Adjustment to prior period	Current biennium less refunds	Interest and other income			
United Nations entities	DDSMS	5,509	(1,517)	1,683,050	8,559	1,605,468	70,796	160,931
	ECLAC	6	-	29,034	-	29,040	-	-
	ESCAP	-	-	80,795	-	26,988	3,957	57,764
	ESCWA	2,654	-	-	376	1,680	-	1,350
	ILANUD	6,519	-	130,900	-	136,140	-	1,279
	ITC	43,978	-	151,100	2,889	192,679	6,780	12,068
	UNDP	69,701	1,298,808	96,707,900	(91,984)	86,537,836	5,516,828	16,963,417
United Nations specialized agencies	ILO	(150,561)	-	1,371,525	3,560	1,348,183	86,215	(37,444)
	UNESCO	(316,248)	-	587,000	2,565	208,279	69,428	134,466
	UNIDO	(1,112,669)	-	9,066,000	110,007	9,251,526	2,495,717	1,307,529
	UPU	785	-	50,091	3,000	48,412	2,000	7,464
	WHO	(349,055)	-	3,160,000	67,004	3,262,781	456,293	73,461
Intergovernmental organizations	CCC	-	-	487,626	60,344	382,445	-	165,525
	CCLEC	59,500	-	134,500	-	113,786	-	80,214
	ICPO/Interpol	44,246	-	131,000	-	169,121	-	6,125
	OAS	148,000	-	367,300	5,620	499,839	-	21,081
Non-governmental organizations	CelS	16,978	-	553,250	(4)	563,816	-	6,408
	CERID	-	-	190,487	-	131,096	-	59,391
	CRC	27,095	-	46,085	-	73,180	-	-
	ENDA	-	-	1,114,509	3,881	1,120,218	-	(1,828)
	Gilead Church	269,851	-	2,726,811	127,865	2,949,447	-	175,080
	ICAA	467	-	675,310	-	675,770	34,997	35,004
	IPS	-	-	235,805	-	165,634	-	70,171
	NCA	38,584	-	878,543	-	845,906	-	71,221
	UWI	-	-	224,950	-	157,279	-	67,671
	Total	(1,194,660)	1,297,291	120,783,571	303,682	110,496,549	8,745,011	19,438,348

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Significant accounting policies

The following are the significant accounting policies of the Fund of the United Nations International Drug Control Programme (UNDCP):

(a) Rules and procedures. The accounts of the Fund of UNDCP are maintained in accordance with the Financial Regulations and Rules of the United Nations and in conformity with the United Nations system common accounting standards (A/48/530), as recognized by the General Assembly in its resolution 48/216 C of 23 December 1993.

(b) Accounting convention. The accounts are prepared on the historical cost convention, modified to the extent that the cost of all property acquired is charged as an expense in the year of purchase.

The financial period is a biennium and consists of two consecutive calendar years.

(c) Contingent liabilities. Provision to meet contingent liabilities for compensation payments under appendix D of the United Nations Staff Rules for personnel financed from the Fund of UNDCP is calculated on the basis of 1 per cent of net base pay. Provision for repatriation grant entitlements is calculated on the basis of 8 per cent of net base pay for all personnel funded from the Fund of UNDCP. Further details are provided in note 10.

(d) Unliquidated obligations. Unliquidated obligations for the current period in respect of all technical cooperation activities remain valid for 12 months following the end of the period to which they relate.

(e) Income. Pledges are recorded as income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specified time or times. Contributions received for future periods are recorded as deferred income.

Unpaid pledges are cancelled when a written request for cancellation is received. In addition, unpaid pledges older than five years are cancelled when no written confirmation is received in response to reminders. Unpaid pledges for future years are not included in the financial statements (see note 15).

Refunds of expenditures charged to prior financial periods, and proceeds from the sale of surplus property, are credited to miscellaneous income.

Investment income is based only on interest received and accrued from investments during the financial period. Interest due from investments made in the financial period but not maturing until future periods is recorded as accounts receivable.

(f) Investments. Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash.

(g) Translation of currencies. The financial statements of the Fund of UNDCP are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the

transaction at rates of exchange established by the Controller of the United Nations. In respect of such currencies, the financial statements shall reflect the cash investment, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is debited to the budgetary account. If there is a net gain, this is credited to miscellaneous income.

(h) Programme support. UNDCP programme support income is utilized to cover UNDCP Headquarters expenditure during the biennium as indicated in paragraph 21 of the proposed final programme budget and performance report for the biennium 1992-1993 and proposed initial programme budget for the biennium 1994-1995 (E/CN.7/1993/14) and outlined in the Executive Directors' note on programme support cost arrangement (E/CN.7/1993/15). Note 3 provides details on the use of UNDCP programme support cost income.

Note 2. Regular budget and Special Account for Programme Support Costs expenditure

The total expenditure of $140,417,400 in statement I and in statement II does not include the following amounts for the biennium 1992-1993 financed from the regular budget of the United Nations and the United Nations Special Account for Programme Support Costs, shown in United States dollars.

Regular budget of the United Nations

Staff and other personnel costs	11 473 129	
Travel on official business	975 116	
Contractual services	414 393	
General operating expenses	121 083	
Acquisitions		50 574
Total	13 034 295	

United Nations Special Account for Programme Support Costs

Staff and other personnel costs	199 505	
Total	199 505	

Note 3. Staff and other personnel costs

UNDCP Headquarters expenditure for staff and other personnel costs is financed from the Fund of UNDCP and programme support income (note 1 (h)). The use of programme support income in 1992-1993 was as follows, shown in United States dollars:

	General-purpose	Special-purpose	Total
Programme support income	1 587 729	1 232 960	2 820 689
Less: staff and other personnel costs, Headquarters	2 458 489	-	2 458 489
Less: programme support reserve	362 200	-	362 200
Balance	(1 232 960)	1 232 960	-

In statement I it is shown that expenditures under programme support costs (UNDCP) at Headquarters amounted to $2,458,489 against a budget of $2,875,000. As outlined, the programme support funds were utilized to cover staff and other personnel costs. Total expenditures under staff and other personnel costs therefore include the amount identified under this heading in statement I as well as the amount shown under programme support costs (UNDCP). Hence, total expenditures under staff and other personnel costs at Headquarters amounted to $8,880,147 ($6,421,658 and $2,458,489) against a budget of $9,885,400 ($7,010,400 and $2,875,000). The same applies for staff and other personnel costs shown in statement II.

Note 4. Public donations

Public donations received in 1992-1993, in United States dollars, amounted to:

Contributions from Seoul Broadcasting System for UNDCP's Goodwill Ambassadors programme	301 982
United Nations Association of Fukuoka, Japan	9 172
New York Mayor's Office	2 000
Total	313 154

Note 5. Subventions

For prior financial periods, contributions received from the European Union were shown as subventions. As of 1992-1993, pledges and contributions received from the European Union are accounted for under pledged contributions and are reflected in schedule 2. For the biennium 1992-1993, the amount of $48,636 accounted for under subventions represents the contribution received from the United Nations Office for the Coordination of Humanitarian Assistance to Afghanistan, Geneva.

Note 6. Interest income

Total interest earned in 1992-1993 amounted to $7,002,374. Special-purpose and general-purpose funds are not invested separately. The total interest income from investment is apportioned between general-purpose and special-purpose funds in accordance with the ratio of their respective average fund balance.

Note 7. Miscellaneous income

Total miscellaneous income in 1992-1993, in United States dollars, amounted to:

Repayment of loans in respect of crop substitution	1 497 371
Refund of expenditure, including savings on liquidation of prior year obligations	980 809
Proceeds from sale of drug identification kits	9 384
Total	2 487 564

Note 8. Cash

Cash included, in United States dollars:

Cash in transit	213 000
Imprest	424 407
Convertible currency deposits	223 993
Interest-bearing bank deposits	102 761 360
Non-convertible currency deposits	67 681
Total	103 690 441

Note 9. Accounts receivable

Accounts receivable included, in United States dollars:

Interest accrued on investments	579 075
Education grant advance	67 911
Salary advance	11 427
Total	658 413

Note 10. Acccunts payable

Accounts payable included, in United States dollars:

Repatriation grant accruals (see note 1 (c))	95 206
Appendix D compensation accrual (see note 1 (c))	37 879
Miscellaneous	2 304
Total	135 389

Note 11. Unliquidated obligations

Unliquidated obligations comprised the following, in United States dollars:

Headquarters	250 888
Field operations	36 067
Project activities	14 533 208
Total	14 820 163

Note 12. Reserve for programme support

In accordance with administrative instruction ST/AI/286 on programme support accounts, an operating programme support reserve of 20 per cent of annual programme support income was maintained to protect against unforeseen shortfalls and to liquidate legal obligations in the event of abrupt terminations of activities financed from programme support funds. This amounted to $362,200 in 1992-1993 against an annual programme support income of $1,810,816.

Note 13. Operating reserve

In accordance with administrative instruction ST/AI/284 on general trust funds, an operating reserve of 15 per cent of annual expenditures was maintained from UNDCP to protect against unforeseen shortfalls and to meet the final expenditures, including liquidating liabilities. This amounted to $10,589,200 in 1992-1993 against annual expenditures of $70,594,514.

Note 14. Deferred income

Deferred income consists of contributions received in advance for future periods and included, in United States dollars, as at 31 December 1993:

	General-purpose	Special-purpose	Total
Dominica	1 000	-	1 000
Italy	-	26 415 827	26 415 827
Singapore	2 000	-	2 000
United Kingdom of Great Britain and Northern Ireland	575 834	1 469 869	2 045 703
Total	578 834	27 885 696	28 464 530

Note 15. Unpaid pledges for future years

Unpaid pledges for future years amounted to $9,948,634, out of which $1,419,319 related to general-purpose and $8,529,315 to special-purpose pledges.

Note 16. Inventory

As at 31 December 1993, the value of supplies and equipment held by UNDCP was $2,431,094. As disclosed in note 1 (b), these are not shown as assets in the statement of assets and liabilities.